


Internal Audit Unit  
MONTGOMERY COUNTY BOARD OF EDUCATION  
Rockville, Maryland

October 14, 2016

MEMORANDUM

To: Mrs. Mildred L. Charley-Greene, Principal  
Northwood High School

From: Roger W. Pisha, Supervisor, Internal Audit Unit 

Subject: Report on Audit of Independent Activity Funds for the Period  
August 1, 2015, through August 31, 2016

Independent Activity Funds (IAFs) of Montgomery County Public Schools (MCPS) are established to promote the general welfare, education, and morale of students as well as to finance the recognized extracurricular activities of the student body. Principals are the fiduciary agents for the IAFs charged with determining the manner in which funds are raised and expended for activities such as field trips, admission events, and fundraisers. They are responsible for ensuring that the IAFs are administered in accordance with MCPS policies, regulations, and procedures.

The IAF audits are conducted regularly to evaluate compliance with MCPS policies, regulations, and procedures, and to review processes for continuous improvement. Generally, accepted audit procedures guide the work of the auditors who examine samples of the IAF records and financial accounts selected from documentation of various activities to verify their accuracy as well as to assess the effectiveness of financial control procedures. An IAF audit does not review every transaction or school activity but seeks to provide reasonable assurance that there is compliance with MCPS policies, regulations, and procedures, and that any significant errors or omissions in the financial records are detected.

In our meeting on September 23, 2016, with you and Ms. Claudette R. Smith, assistant principal, Ms. Thuy Tran T. Duong, school business administrator, Mr. Marco G. Fuggitti, athletic director, and Mrs. Leslie A. Wilson, school financial specialist, we reviewed the status of the conditions described in our prior audit report dated September 18, 2015, and the status of present conditions. This audit report presents the findings and recommendations resulting from our examination of the IAF records and financial accounts for your school for the period designated above.

Findings and Recommendations

Aggregate school expenditures for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without prior written authorization of the chief operating officer (COO), (refer to MCPS

*Financial Manual*, chapter 20, page 5). We noted overall expenditures exceeded the COO's approved aggregate amount for fiscal year 2016. We recommend adherence to the COO's guidelines.

Use of the MCPS purchasing card must be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review their prior month transactions. By the tenth of the month, the principal or designee must approve each cardholder's transactions using the online reconciliation program. We found that online transactions were generally reviewed and approved in a timely manner except for approval of the school business administrator's transactions. We also noted that transaction descriptions were not always entered, and account numbers were not always cited when IAF purchases were made. We recommend use of MCPS purchasing cards be in accordance with the requirements of the *MCPS Purchasing Card Users Guide*. We further recommend delegation of authority for approval of the school business administrator's transactions be given to another administrator.

Fund-raising at the school must conform to the *Guidelines for Sponsoring an IAF Fund-Raiser*. We again found that fund-raiser request forms did not include a space to indicate date of approval, and completion forms were being prepared at the end of the year instead of at the conclusion of the activity. Not all completion reports included the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all funds collected were remitted to the school financial specialist. We found no request forms for the commission only athletic fund-raisers, one fund-raiser that did not comply with the *MCPS Regulation JPG-RA, Wellness: Physical and Nutritional Health*, and noted funds not being promptly remitted to the school financial specialist. We recommend compliance with the *Guidelines for Sponsoring an IAF Fund-Raiser* to provide for accountability of funds raised as well as the opportunity to evaluate the results of the event for future decisions.

Once again, we found that athletic booster club activities are passing through the school's IAF. This includes recording membership dues and donations, providing cash advances for concession sales, and a booster club fund-raiser with sales and expenditures being recorded in the IAF. MCPS guidelines state that booster clubs are not permitted to pass funds through a school IAF (refer to *MCPS Financial Manual*, chapter 20, page 17). We again recommend that all account activities of the boosters be removed from the school's IAF accounts.

#### Summary of Recommendations

- Expenditures for staff refreshments in connection with meetings and staff appreciation must adhere to guidelines.
- Purchasing card review and approval process must be in accordance with the *MCPS Purchasing Card Users Guide*.
- Fund-raising must conform to *Guidelines for Sponsoring an IAF Fund Raiser (repeat)*.
- Discontinue passing athletic booster club activity funds through the school IAF **(repeat)**.

Other matters were discussed and satisfactorily resolved. We appreciated the cooperation and assistance of your staff. In accordance with MCPS Regulation DIA-RA, *Accounting for Financial Operations/Independent Activity Funds*, please provide a response to the Internal Audit Unit within 30 calendar days of this report, with a copy to Mr. Kevin E. Lowndes, director of school support and improvement of high schools. In your response, please share a detailed plan for addressing these issues including appropriate staff training and support. The Office of School Support and Improvement will follow up on this audit.

RWP:KMH:lsh

Copy to:

Members of the Board of Education

Dr. Smith

Dr. Navarro

Dr. Statham

Dr. Zuckerman

Dr. Johnson

Mr. Civin

Dr. Williams

Mrs. Camp

Mrs. Chen

Mrs. DeGraba

Ms. Diamond

Mr. Lowndes

Mr. Ikheloa

**Fiscal Management Action Plan**

School: Northwood High School

Principal: Mildred Charley Greene

Approved by community superintendent: \_\_\_\_\_

Date of approval: \_\_\_\_\_

Findings and Recommendations of School's Financial Report	Description of Resolution And Person(s) Responsible	Timeline	Evidence of Completion
<p>Aggregate school expenditures for the procurement of refreshments in connection with meetings and staff appreciation items may not exceed \$60 per full-time equivalent (FTE) per fiscal year without prior written authorization of the chief operating officer (COO), (refer to <i>MCPS Financial Manual</i>, chapter 20, page 5).</p>	<p>For FY16, Northwood was using the FTE from the staffing allocation grid instead of <i>Schools at a Glance</i> information. Moving forward, this practice is in line with FY17 directives which permit the use of the staffing allocation grid to determine school expenditures for the procurement of staff refreshments. Northwood will adhere to the amounts determined by this formula or, as permitted, submit additional aggregate amount for the COO's approval if needed.</p>	<p>October 31, 2016</p>	<p>IAF Balance</p>
<p>Use of the MCPS purchasing card must be in accordance with the requirements of the <i>MCPS Purchasing Card Users Guide</i>. By the fifth of the following month, cardholders must use the online reconciliation program to identify, describe, and review their prior month transactions. By the tenth of month, the principal or designee must approve each cardholder's transactions using the online reconciliation program. We found that online transactions were generally reviewed and approved in a timely manner except for approval of</p>	<p>The Principal has delegated approval of the school business administrator's transactions approval to Assistant Principal.</p>	<p>November 1, 2016</p>	<p>Ms. Claudette Smith will be transaction approver for the school business administrator.</p>

the school business administrator's transactions. We also noted that transaction descriptions were not always entered, and account numbers were not always cited when IAF purchases were made. We recommend use of MCPS purchasing cards be in accordance with the requirements of the MCPS *Purchasing Card Users Guide*. We further recommend delegation of authority for approval of the school business administrator's transactions be given to another administrator.

Fund raising at the school must conform to the *Guidelines for Sponsoring an Independent Activity Fund-Raiser*. We again found that fund-raiser request forms did not include a space to indicate date of approval, and completion forms were being prepared at the end of the year instead of at the conclusion of activity. Not all completion reports included the total number of items for sale, selling prices, or remaining inventories, thus it was not possible to determine whether all funds collected were remitted to the school financial specialist. We found no request forms for the commission only athletic fund-raisers, one fund-raiser that did not comply with the *MCPS Regulation JPG-RA, Wellness: Physical and Nutritional Health*, and noted funds not being promptly remitted to the school financial specialist. We recommend

Fundraising activities will be closely monitored by the school business administrator and financial specialist to ensure proper analysis of profit and loss, and timely closure of fundraising. Sponsors will be re-trained to stay in compliance with regulations.

Ongoing

Meeting Agendas  
Meeting Sign-In Sheets

<p>compliance with the <i>Guidelines for Sponsoring an IAF Fund-Raiser</i> to provide for accountability of funds raised as well as opportunity to evaluate the results of the event for future decisions.</p>			
<p>Discontinue passing athletic booster club activity funds through school IAF.</p>	<p>Marco Fuggitti, athletic director, is the Athletic Club sponsor and is responsible for maintaining and staying in compliance with MCPS procedures and regulations. MCDHHS Licensure and Regulatory Services issuance of the Food Service License is to the Kaplan Stadium Concession as Northwood High School Athletic Club.</p> <p>Parent involvement is strictly limited to a volunteer basis.</p>	<p>October 24, 2016</p>	<p>The Website no longer lists parent boosters.</p> <p>The Athletic Club consists of student leaders, Northwood staff and parent volunteers.</p> <p>The operation of concessions is rotated among teams and volunteer groups.</p> <p>The athletic director is solely responsible for all club funds.</p>

*Note: A copy of the approved plan is to be sent to the Internal Audit Office, CESC, Room 11.*